

GEDİK & ERAKSOY

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Recent Developments in Turkey's Compliance to the FATF Recommendations

Historically, Turkey had done not so well to meet the Financial Action Task Force (FATF) criteria since it requires hard-working for and initiatives by legislative and bureaucratic bodies to comply with its requirements. Fortunately, an increased pressure by the FATF caused Turkey to take steps on the issue after seeing the membership status on the table.

Speed Read

As the inter-governmental body established for the purpose of setting standards and promoting effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system, the FATF has developed a series of “Recommendations” designated for its combat against aforementioned financial crimes.

Despite having undergone three different mutual evaluations where Turkey was identified as being fully or partially incompliant with FATF recommendations, Turkey had made unsuccessful attempts to ensure compliance with FATF recommendations, which eventually risked Turkey’s membership with the FATF.

In order to ensure full compliance with the FATF Recommendations, Turkey has now introduced new measures with a view to combat anti-money laundering and countering the financing of terrorism (AML/CFT), which are all well received by FATF as a progress towards full compliance with FAT.

Legislative Measures Taken by Turkey in view of FATF Recommendations

The FATF conducts peer reviews of each member on an on-going basis to assess levels of implementation of the FATF Recommendations and Turkey is one of the 36 members of the FATF since 1991. Since 2007 Turkey has undergone three different Mutual Evaluations and was identified as being fully or partially in compliant on five out of six core FATF recommendations and partially compliant on five out of ten key FATF recommendations.

Following unsuccessful attempts to align its domestic legislation with the FATF recommendations, Turkey faced the risk of being suspended from FATF membership when it was placed on the grey list and further being placed by FATF on follow-up process. Naturally, this has caused a significant concern in Turkey, particularly among the financial institutions in the market, which mainly depend on international markets for their financing needs.

In order to ensure full compliance with the FATF Recommendations, Turkey introduced an action plan and made significant changes in its AML/CFT legislation to strengthen its legal and regulatory framework, the key features of which was summarised by FATF as follows:

- Turkey has amended the money laundering offence in the Turkish Criminal Code, by lowering the threshold for predicate offences and including elements required by the relevant United Nations conventions;
- Turkey has introduced new regulatory requirements to strengthen the requirements of customer due diligence, beneficial ownership, risk and simplified/enhanced due diligence;
- Turkey has strengthened the reporting requirements for suspected terrorist financing transactions; and
- Turkey has adopted a new regime on the Prevention of the Financing of Terrorism.

Current Position of Turkey Following Legislative Changes

Despite being unsuccessful in its previous attempts, the new changes have been seen as an extraordinary progress by FATF in terms of Turkey's compliance to the FATF Recommendations. As a result of this progress, Turkey was removed from the follow-up process and from the dark grey list and decided by FATF that Turkey should no longer be subject to FATF's monitoring process.

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